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COSTS



You Know

How much a quart you pay
for milk



BUT

Do You Know

How much it costs you to deliver
it to the consumer

?

Bureau of Markets and Crop Estimates
United States Department of Agriculture

TO CONDUCT YOUR BUSINESS INTELLIGENTLY YOU MUST
KNOW WHAT IT COSTS TO DO BUSINESS

FOR EXAMPLE:

Do you know how much you lose when a bottle is broken?

It takes the profit on the sale of *seven* quarts of milk to pay for breaking *one empty* quart bottle.

It takes the profit on the sale of *twenty-eight* quarts of milk to pay for breaking *one filled* quart bottle.

Careless handling of bottles affects—

The Dealer—because broken bottles increase cost, and reduce profits. Save the bottles.

The Consumer—because broken bottles are a part of the dealer's cost, which must be covered by the price the consumer pays.

The Driver—because continuity of work, satisfactory working conditions, and satisfactory wages are dependent on the company's success.

Do you know how the size of the wagon load affects your delivery cost?

Large wagon loads nearly always accompany low unit delivery costs.

There is a maximum load, however, above which costs do not decrease. Determine this for your business.

Increase your wagon loads by (1) rearranging your routes, or (2) getting new business. It practically always reduces costs per quart.

Compare the following figures from the books of two dealers:

	Dealer A.	Dealer B.
Wagon load delivery units*	276	377
Delivery cost per route per year.....	\$2,705	\$2,724
Delivery cost per delivery unit.....	2.68¢	1.98¢

While the costs per route per year are practically identical, the costs per delivery unit are much less for the dealer with the larger wagon load.

To know your costs you must have an adequate accounting system.

The Bureau has a great deal of information regarding accounting forms and procedure for the milk business and upon request will be glad to suggest improvements in your accounting methods.

AVERAGE TOTAL COSTS

Average costs are useful in comparing your business with others. It should always be remembered, however, that the average is computed from a *range*, usually having wide variations.

Average costs of Eastern and Middle Western dealers during 1919:

	EASTERN		MIDDLE WESTERN	
	AVERAGE COST, CENTS PER QT.	PERCENT- AGE OF TOTAL COST	AVERAGE COST, CENTS PER QT.	PERCENT- AGE OF TOTAL COST
Raw material.....	10.1	62.3	9.3	63.2
Transportation.....	1.6	6.5	.4	2.6
Plant operation.....	1.4	8.4	1.2	8.2
Delivery and selling.....	2.0	12.2	2.2	14.7
Bottles and containers.....	.3	1.9	.2	1.6
General and administrative.....	.7	4.3	.7	4.9
Shrinkage and spillage.....	.7	4.4	.7	4.8
	16.8	100.0	14.7	100.0

* Each package of bottled fluid, and each unit of nonfluid product were counted as a delivery unit, i.e., one pound of butter, one bottle of cream, milk, etc., or one quart of bulk fluid.

The following table shows the range and variations of costs for 28 Middle Western dealers in 1919: (Costs in cents per quart.)

DEALER	TOTAL COST	RAW MATERIAL	PLANT EXPENSE	DELIVERY EXPENSE	ADMINISTRATIVE EXPENSE	LOSS AND SHRINKAGE
1.....	11.0	8.0	1.0	1.4	.2	.4
2.....	11.3	7.3	.9	1.9	.8	.4
3.....	11.6	8.5	1.0	1.2	.3	.6
4.....	11.8	7.7	1.2	2.4	.1	.4
5.....	11.9	8.6	1.1	1.6	.4	.2
6.....	12.0	8.8	.9	1.3	.6	.4
7.....	12.2	9.2	.6	1.7	.4	.3
8.....	12.4	8.2	1.2	1.7	.9	.4
9.....	12.8	8.2	.8	2.5	.9	.4
10.....	12.8	8.4	1.4	1.7	.9	.4
11.....	12.9	8.2	.9	3.2	.2	.4
12.....	13.0	8.3	1.5	2.3	.3	.6
13.....	13.0	8.0	2.2	1.9	.5	.4
14.....	13.2	9.7	.6	1.5	.5	.9
15.....	13.4	8.4	1.5	2.5	.7	.3
16.....	13.7	9.8	.8	2.0	.6	.5
17.....	14.1	7.9	1.4	3.2	1.0	.6
18.....	14.1	8.5	1.2	3.1	1.1	.2
19.....	14.1	8.9	1.6	2.4	.7	.5
20.....	14.1	9.1	1.5	2.1	1.0	.4
21.....	14.2	10.7	.9	1.7	.4	.5
22.....	15.1	10.2	1.4	2.6	.6	.3
23.....	15.5	9.6	1.1	3.8	.5	.5
24.....	15.5	9.1	1.3	2.3	2.0	.8
25.....	16.7	9.7	1.2	4.0	1.3	.5
26.....	16.9	10.0	1.4	3.8	1.2	.5
27.....	17.4	10.5	1.9	3.3	.9	.8
28.....	18.5	12.4	1.6	3.4	.5	.6

The average total cost for Middle Western dealers was 14.7 cents; the lowest total cost 11 cents; the highest 18.5 cents. Twenty-one dealers had costs lower than the average. Eight dealers had costs in excess of the average.

The average cost of delivery was 2.2 cents; the lowest 1.2 cents; the highest 4 cents. It cost 13 dealers less than the average; 15 dealers more than the average.

To know where you fit in, similar comparisons should be made with each of the other items of cost, such as plant expense, administrative expense, loss, and shrinkage. The use of a uniform classification of ledger accounts will greatly facilitate such comparisons.